



## PRESS RELEASE

### ***MAS Concluded the Dialogue for Palestinian Job Creation Roundtable Program Implemented in Partnership with the World Bank***

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On 8 December MAS held a roundtable session titled “**Business Climate and Job Creation in the Palestinian Territories and the Middle East**” under the MAS-World Bank initiative *Dialogue for Palestinian Job Creation*. Mr. John Panzer, Sector Manager of the World Bank's International Trade Department, and Mr. Bernard Funck, Manger of Poverty Reduction and Economic Management at the World Bank, who are in a mission to the Palestinian Territory, attended the session. Numerous other stakeholders from the private sector, PNA economy-related agencies, civil society organizations, and international agencies attended the session as well, which was held in the conference hall of MAS Building in Ramallah and was connected via video conference with the PITA office in Gaza. Dr. Muin Rajab, economist and researcher, moderated the session in Gaza.



The welcoming remarks were delivered by MAS’s Director of Research, Dr. Samir Abdullah, and Country Director of the World Bank Mr. Steen Jorgensen.

After the opening remarks, Mr. Marc Schiffbauer, Senior Economist at the World Bank, presented the main findings of the World Bank report *Jobs or Privileges: Unleashing the Employment Potential of the Middle East and North Africa*. This regional study found that workers in the MENA face higher unemployment than their counterparts in the rest of the world, and that a high proportion of them are employed in the informal and unproductive sectors. The lack of enough jobs in the formal sector, which forced workers to turn to the



informal one, was caused majorly by: inefficiency in the educational systems, preference to work in the public sector, mismatch of demanded and supplied skills, and the inability of the formal private sector to produce sufficient employment. The firm census data collected for the report showed that most firms in the MENA region which create jobs are micro-sized. For example, in Palestine 60% of employment is in micro companies. In this sense, the mechanism of job creation in the MENA coincides with the one in the rest of the world. Regionally and globally, start-ups are the ones which create most jobs. Furthermore, both in the MENA and around the globe more productive firms create more jobs. Thus, the question of why there are not enough jobs created in the MENA becomes why there are not enough start-ups launched in the MENA on regular basis. Data show that non-Gulf MENA countries exhibit a remarkably low rate of newly established firms in addition to suffering from low productivity growth. Mr. Schiffbauer looked at the external and internal constraints which entrepreneurship faces in Palestine. Mobility restrictions including checkpoints, roadblocks, the Wall, and others are the main source of exogenous obstacles. Nonetheless, there also exist numerous Palestine-specific constraints which were discussed later in the session. The *Jobs or Privileges* report found out that the inconsistent, unpredictable implementation of laws and policies was one of the main hindrances to businesses in the MENA region. The presenter looked at examples from Egypt and Tunisia to demonstrate the effect of political connectedness on doing business. Then the main question of how to reform to move forward was posed. The report provided the answer that institutions which safeguard fair competition need to be put in place in the MENA region. New policies are required which seek to provide non-existing good services and grant equal access to benefits to all existing firms.



Following Mr. Schiffbauer's presentation, Mrs. Nabila Assaf, Senior Private Sector Development Specialist at the World Bank, summarized the *West Bank and Gaza – Investment Climate Assessment: Fragmentation and Uncertainty* report. Importantly, the



survey conducted among Palestinian companies for the preparation of the report revealed that the number one constraint, which firms in the West Bank and the Gaza Strip – both in the formal and informal sector – face, is the political instability in its numerous manifestations. Another major obstacle in Gaza is the lack of reliable electricity. The report showed that Palestinian companies have weak capital intensity measured as the proportion of investment to GDP. Nevertheless, most firms did not feel the need to apply for loans from banks. The Palestinian economy is characterized by market fragmentation including differences in productivity and efficiency between the West Bank, the Gaza Strip, and East Jerusalem partially because of the weak competitive forces between them. Mobility and access restrictions as measured by days to clear imports and exports impose another challenge to Palestinian businesses. However, the report also presented some opportunities existing in Palestine. For example, the lower than expected capital intensity has not affected negatively labor productivity which is within the expected range. The higher than expected technological efficiency in Palestine somewhat compensates for the low capital intensity. Furthermore, labor regulations are not a major obstacle, and instances of petty corruption are relatively rare. The report provides a set of recommendations targeted at the PNA, the Palestinian private sector, the Israeli government, and the international community. These include: improving access to land, energy, and markets; reversing the trends of fragmentation and isolation; mitigating the political risk; improving business regulations; enhancing the role of the private sector; and investing in skills, technology, entrepreneurship, and innovation.

The guest speaker Mr. Ahmad Aweidah, CEO of the Palestine Exchange, emphasized the many problems in the economies of other MENA countries including the control of the state over the private sector and the lack of sufficient inter-Arab trade. In this regard, he stressed that Palestine is actually in a favorable position since the emergence of the private sector preceded the formation of the state. This in turn provided the private sector with a leadership position in the economy. He also highlighted the openness of the Palestinian economy to free enterprise and to foreign investment in addition to the benefits of the labor force. According to Mr. Aweidah, the majority of constraining factors are exogenous and beyond the control of the PNA. However, there are also issues within the reach of the PNA, such as land registration, that need to be tackled. Finally, he suggested that the ICA report should have looked at the shortcomings and impediments at the level of local governance. He stated that the central government is doing a good job at the national level, while municipal involvement, procedures, and policies remain complicated and pose obstacles to businesses.



The participants in the open discussion which followed the presentations raised numerous important points. The session concluded that both reports are very useful for formulating an evidence-based policy reform agenda to improve the business climate, despite the limited policy space available to the PNA.

To download the full report on *Jobs or Privileges*: <http://hdl.handle.net/10986/20591>

To download the full report on *Investment Climate Assessment*:

[http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/09/09/000470435\\_20140909140008/Rendered/PDF/AUS21220REVISE0A0REPORT0SEPT0902014.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/09/09/000470435_20140909140008/Rendered/PDF/AUS21220REVISE0A0REPORT0SEPT0902014.pdf)